

**MINUTES OF SPECIAL MEETING
OPEN SESSION
October 25, 2010
ILLINOIS GAMING BOARD
CHICAGO, ILLINOIS**

NOTE: ITEMS IN **BOLDFACE PRINT** REFLECT OFFICIAL BOARD ACTIONS

On Monday, October 25, 2010 a Special Meeting of the Illinois Gaming Board (“Board”) was held on the 3rd floor at 160 N. LaSalle, Chicago, Illinois.

On Monday, October 25, 2010 at approximately 9:30 A.M. the following Board members were present: Chairman Jaffe, Members Charles Gardner, Eugene Winkler, Joseph Moore and James Sullivan. At 9:47 A.M. on Monday, October 25, 2010, Member Gardner called the meeting to order. Pursuant to Section 2(c), paragraphs (1), (14) and (21) of the Open Meetings Act and Section 6(d) of the Riverboat gambling Act, member Gardner moved that **the Board retire to Closed Session to discuss the items listed under Closed Session on today’s agenda and relating to the following subject matters:**

- 1. Personnel matters;**
- 2. Investigations concerning applicants and licensees; and**
- 3. Personnel matters.**

Member Sullivan seconded the motion. The Board remained in Closed Session until approximately 9:30 A.M. The Board recessed and then went into open session at 10:07 A.M. Present were the following Board Members: Chairman Jaffe, Members Charles Gardner, Eugene Winkler, James Sullivan and Joseph Moore.

ADMINISTRATOR’S COMMENTS –

Administrator Ostrowski stated that the Special Meeting is to report on the Video Gaming Rules and the ownership of the Midwest Gaming & Entertainment license. Administrator Ostrowski commented on the progress of the construction site. The opening will be in mid 2011.

OWNER LICENSEE ITEMS –

Items for Final Consideration -

- Midwest Gaming & Entertainment, Inc. – Ownership approval

John Janicik appeared before the Board asking for ownership approval.

Based on a review of Staff’s investigation and recommendation, Member Sullivan moved to **approve the following individuals, each of whom is a “minority person” or “female” as defined under the Illinois Riverboat Gambling Act and who intend to indirectly own interests in Midwest Gaming & Entertainment, LLC through Casino Investors, LLC.**

1. **Roberta Kay Rogers;**
2. **Kathleen Rogers Fantetti;**
3. **Constance Ann Kennelly;**
4. **Marilyn Sue Rogers;**
5. **Carol Ann Schmitz;**
6. **Suzanne J. Cooper;**
7. **Lisa W. Bercu, Beneficiary of the Lisa W. Bercu Trust;**
8. **Ernesto Ty Tan; and**
9. **Jerry Lee Johnson.**

Further Member Sullivan moved **pursuant to Section 3000.235 of the Board’s Adopted Rules to approve the corresponding redemption of interests in Midwest Gaming Holdings, LLC from CVG Chicago Gaming, LLC and High Plains Gaming, LLC and the issuance of interests to Casino Investors, LLC consistent with the financing documents previously provided to the Board.**

Member Gardner seconded the motion. The Board approved the motion unanimously by roll call vote.

General Counsel Fries summarized the comments and changes to the video gaming rules on the Agenda for second notice. The comments and changes are as follows:

General Comment: Wants a requirement that 1-800-GAMBLER be posted at all establishments and on all advertising. **Response:** This comment will be addressed in future rulemakings.

Rule 1800.110 – Comment: Definitions should clarify the difference between gambling and children’s video games. **Response:** Staff does not believe a clarification is necessary.

Rule 1800.110 – Comment: The definition of “nominee” leaves open the possibility of hidden owners and investors. **Response:** Staff does not believe a clarification is necessary. The definition is necessary because the applications require applicants to identify all shareholders, including nominees.

Rule 1800.110 – Comment: Clarify the definition of “Institutional Investor” by adding the phrase “or the equivalent” to the end of both subsections (2) and (7) so that it includes public companies traded on non-U.S. exchanges (e.g. the Australian Stock Exchange). **Response:** Staff believes subsection (8) (“[s]uch other person as the Illinois Gaming Board may determine for reasons consistent with the Act and this Part”) adequately addresses this comment. Staff does not believe that a clarification is necessary. The current definition is consistent with the definition of “Institutional Investor” in other jurisdictions.

Rule 1800.110 – Comment: Add the following phrase to the definition of “Institutional Investor” – “[a] fund holding at least \$100 million in assets and managed by an investment advisor registered under the Investment Advisors Act of 1940.” Believes that the current definition of “Institutional Investor” does not adequately cover “hedge funds” and will not give “hedge funds” sufficient assurance that they will only be required to register with the Board (as opposed to filing a full licensing application). **Response:** Staff believes that subsection (8) (“[s]uch other person as the Illinois Gaming Board may determine for reasons consistent with the Act and this Part”) adequately addresses this comment. Staff does not believe that a clarification is necessary. The current definition is consistent with the definition of “Institutional Investor” in other jurisdictions.

Rule 1800.520 – Comment: Clarify whether 20% is the maximum number of shares that any one business entity may own. **Response:** Staff does not believe that a clarification is necessary. 20% is not the maximum number of shares that any one business entity can own. The 20% referenced in section 1800.520(c)(1)(A) is applicable to Institutional Investors.

Rule 1800.520(c) – Comment: Modify this section to be consistent with section 3000.234 of RGA Adopted Rules. **Response:** Staff does not believe a clarification is necessary. The VGA requires background investigations for stockholders of 5% or more. Due to the differences between the RGA and the VGA there will be differences in the Board’s Rules for each Act.

Rule 1800.520(c) – Comment: Modify this section to allow Institutional Investors to invest in privately held companies. Suggests removing the phrase “publicly traded” from several places in this section. **Response:** Staff does not believe a clarification is necessary. The current rule is consistent with rules in other jurisdictions. Staff does not believe that Institutional Investors should be allowed to invest in privately held companies without investigation.

Rule 1800.520(d) – Comment: All technicians should not be required to travel to Illinois to be photographed and fingerprinted by an IGB agent. **Response:** Staff does not believe a clarification is necessary. This section provides that licensed technicians shall be photographed and fingerprinted at a place and time designated by the Administrator.

Rule 1800.520(f) – Comment: Clarify why withdrawing an application would not be in the best interests of the public, the gaming industry or the State and wants clarification as to why the Board would not allow withdrawal of an application. **Response:** Staff does not believe a clarification is necessary. This section is necessary to allow the Board to prevent applicants from withdrawing their applications simply to avoid having their application denied by the Board.

Rule 1800.610/1800.910 – Comment: There should not be a hearing process for foreclosure sales. Believes that the rules regarding transporting VGTs should also apply to registered lenders and does not believe that a registered lender should be required to get Board approval prior to exercising its rights to repossess gaming collateral. **Response:** With respect to the hearing process, Staff does not believe a clarification is necessary. The hearing process in section 1800.610 et seq. only applies when the Board has denied an application to enforce a security interest. It does not apply to every foreclosure proceeding. With respect to transporting

VGTs, possession of VGTs is a crime in Illinois unless an entity possesses a license. Registered lenders will not be licensed by the Board and cannot legally possess machines.

Rule 1800.910 – Comment: Clarify what will be required in the registration forms for lenders.

Response: Staff is in the process of drafting registration forms for lenders. Staff will make such forms available when they have been completed.

Rule 1800.910(c)(3) – Comment: Add the phrase “except otherwise provided in this Subpart” to the beginning of section 1800.910(c)(3). **Response:** Staff has further clarified 1800.910(c)(3) and does not believe further clarification is necessary.

Rule 1800.920 – Comment: Requiring the Board to investigate the facts of each application to enforce a security interest may be too slow and cumbersome. It’s in the best interests of the State and the lenders to allow the Administrator to approve this process in certain circumstances. As such, add a section 1800.920(c) which provides that “notwithstanding the provisions of section 1800.920(a) and (b), and provided that the Board retains the discretion to require compliance with section 1800.920(a) and (b), a secured party may apply to the Administrator (rather than the Board) for approval to enforce a security interest in gaming property collateral by submitting the same information as required under the provisions of section 1800.920(a), provided that the secured party also submits to the Administrator a copy of an agreement with a person holding either terminal operator’s, distributor’s or manufacturer’s license which agreement provides for the immediate transfer of title to the gaming property collateral upon the secured party’s enforcement of its security interest in such gaming property collateral. The Administrator shall approve the application provided that in the opinion of the Administrator the enforcement of the security interest furthers the interests of the State of Illinois. The Administrator’s approval of an application for approval to enforce a security interest shall have the same force and effect as if approved by the Board.” **Response:** Staff believes that this comment is adequately addressed by changing the word “Board” to “Administrator” in section 1800.920(b). Staff further believes that changing “approval” to “notice” will sufficiently address the comment. Staff disagrees that the section proposed by this comment should be included.

1800.920(a) – Comment: Remove the phrase “except as otherwise provided in this Subpart” from the beginning of section 1800.920(a). **Response:** Staff agrees with this comment and has clarified section 1800.920(a).

1800.920(b)(3) – Comment: This section is missing words/unclear. **Response:** Staff agrees that there is a typo in this section. Staff has corrected this section.

1800.930 – Comment: Clarify “registered with the Board.” Will a license be required for persons who are financing VGTs. **Response:** Staff does not believe a clarification is necessary. A license will not be required for persons financing VGTs. “Registration” is short of full licensure. Licensure is required for any entity to possess a VGT.

1800.1010(a) – Comment: Change “no licensee shall sell . . .to any person that could not lawfully own or operate the video gaming terminal” to a requirement that the licensee can only sell, transfer, etc. to a person who is lawfully licensed to operate a VGT in IL. The current

language leaves a loophole which could be used for organized crime. **Response:** Staff does not believe a clarification is necessary. Staff disagrees that this section leaves a loophole for organized crime. The Board cannot limit the market to just Illinois licensees but the Board can limit the market to those who can lawfully own/operate a VGT.

1800.1020 – Comment: Clarify that Aristocrat may never ship VGTs to a licensed location even if appropriate shipping notices are provided. **Response:** Staff agrees that a clarification is needed. Staff believes this section should be clarified such that VGTs must be shipped directly to terminal operators, distributors and/or manufacturers, not locations.

1800.1020 – Comment: This rule does not provide any “safeguards to protect from corruption.” **Response:** Staff does not understand the comment and therefore does not believe a clarification is necessary. All of the rules in Subpart J will protect from corruption. Further, section 1800.1020 has been clarified to specify that VGTs may not be shipped directly to licensed video locations.

1800.1020 – Comment: This rule does not specify where the VGTs will be inspected. **Response:** Staff agrees with this comment and has further clarified section 1800.1020.

1800.1020 – Comment: The motherboards could be tampered with after IGB inspection. **Response:** Staff disagrees with the comment and does not believe that a clarification is necessary. The motherboards will be in a locked compartment within the VGT. If there is tampering between the IGB inspection and installation, the CCS will be alerted. Further, the CCS will be alerted anytime there is unauthorized access to the VGT.

1800.1020(b) – Comment: Clarify that either the manufacturer or the distributor may provide notice to the Board of shipping or transporting of VGTs. **Response:** Staff does not believe a clarification is necessary. This section allows both manufacturers and distributors to ship or transport VGTs into the State. Both parties (sender/recipient) must provide notice.

1800.1020(b) – Comment: Change the number of days of notice that must be provided prior to shipment from 14 to 5 as the VGTs cannot be delivered to an operator but go to a warehouse to await inspection. Alternatively, rule should be clarified to 14 calendar days. **Response:** Staff disagrees that the notice requirement should be changed from 14 days to 5 days. Staff agrees that this section should be clarified to specify 14 calendar days. Section 1020 is applicable to shipments of VGTs from out-of-state to Illinois

1800.1020(b)(1) – Comment: The notification period for shipping VGTs into the State should be changed from 14 days to 10 days to be consistent with Riverboat Gambling Act. **Response:** Staff does not believe a clarification is necessary.

1800.1020(b)(1) – Comment: There is a lag time between licensing approval and issuance of an actual “license” (e.g. written document) such that there is not a license number readily available at the time of shipment. Revise the rule to not require license numbers in shipment notifications. **Response:** Staff does not believe a clarification is necessary. The hypothetical posed by this comment would not apply once license numbers are issued.

1800.1020(b)(3) – Comment: Clarify the manner and method of how each shipment of VGTs will be secured. Specify what the Board considers a “secure” shipment. **Response:** Staff does not believe a clarification is necessary. Staff does not believe the specifics on shipments should be addressed by the Rules.

1800.1020(c) and (d) – Comment: Clarify the procedure and timeframe for Board inspection of VGTs. Board inspection should occur within 3 business days from receipt of the VGT.

Response: Staff does not believe a change is necessary.

1800.1020(d) – Comment: Can conversion kits/replacement software be shipped to a distributor, operator or location or must it go to a warehouse to be inspected by an agent prior to delivery. **Response:** Staff does not believe that a clarification to this rule is necessary. This comment will be addressed in future rules.

1800.1030 – Comment: “Streamline” this section and eliminate the provision that requires a distributor to give notice of receipt of a VGT to the Board as the shipping notice will let the Board know where a VGT is at all times. **Response:** Staff disagrees with the comment and therefore believes that no change is necessary. Section 1030 applies to initial receipt of VGTs in Illinois. Further shipments within Illinois are covered by section 1040.

1800.1030(b) – Comment: Clarify where a shipment of a VGT is permitted to be delivered and inspected by Board agent. **Response:** Staff agrees that clarification is needed as to where a shipment is permitted to be delivered. Staff has clarified section 1800.1020 to specify that VGTs may not be shipped directly to licensed video locations. Staff believes the Board/its agents should be able to inspect a VGT anywhere. Staff has clarified section 1800.1020(d) to provide that a VGT will be inspected at a location “to be determined by the Board.”

1800.1030 – Comment: Clarify regarding time frame for notice to the Board. **Response:** Staff agrees that a clarification is necessary. Staff has clarified this rule such that immediate notice is required.

1800.1030 – Comment: A VGT is not placed in operation upon receipt then there is nothing preventing tampering with VGTs while in storage. **Response:** Staff disagrees with this comment. If an entity tampers with a VGT, that entity risks revocation of its license. Further, the CCS will verify the signature of each VGT and what’s on each VGT.

1800.1040(a) – Comment: Clarify whether licensed technicians who work for an operator, distributor or manufacturer may transport VGTs. **Response:** Staff does not believe a clarification is necessary. This section is consistent with the definitions set forth in the VGA. Under the VGA, a licensed technician may not possess VGTs.

1800.1040 – Comment: Clarify timeframe for notification to the Board prior to transporting a VGT from one location to another. Suggests same day notice for shipment within the State. In order to get VGTs that are not working out of the area of play within 72 hours a shortened notice period is necessary. **Response:** Staff agrees that a clarification is necessary. Staff has added

section 1800.1040(e) to address video gaming terminals that are inoperable. Staff does not believe any clarification is necessary regarding timeframe of notice.

1800.1040 – Comment: This rule should be modified to require that all terminals be inspected before transporting them within or outside of the State. **Response:** Staff disagrees with this comment. There will be situations where VGTs are transported between locations that will not require inspection beyond the information provided by the CCS.

1800.1040(d) – Comment: Clarify whether the inspection requirement is different from the inspection requirement in section 1800.1020. **Response:** Staff does not believe a clarification is necessary. The inspection requirements in sections 1020 and 1040 are different.

1800.1040(d) – Comment: Ensure that the timeline regarding the procedure for removing an inoperable VGT within 72 hours coincides with obtaining approval for removal/transportation. Clarify how to handle the removal of an inoperable VGT. **Response:** Staff disagrees with this comment. There will be situations where VGTs are transported between locations that will not require inspection beyond the information provided by the CCS. Staff has added section 1800.1040(e) to address video gaming terminals that are inoperable.

1800.1050 – Comment: This rule should be modified to require that all terminals be inspected before transporting them within or outside of the State. **Response:** Staff agrees with the comment and has further clarified section 1800.1050(c).

1800.1050 – Comment: This rule is the only rule that states IGB approval is required to ship out of the State. Clarify that other notices given under other rules are deemed approved by the IGB unless otherwise notified and no written approval needed prior to other shipments. **Response:** Staff disagrees with the comment and does not believe a clarification is necessary. Other rules in this subpart require “approval.” Each rule must be read individually.

1800.1050 – Comment: Clarify how much advance notice is necessary prior to shipping games out of the State. **Response:** Staff does not believe a clarification is necessary. Staff has clarified section 1800.1050(c) such that all VGTs must be inspected before transportation outside of the State.

1800.1050 – Comment: Does not understand why the Board wants approval for shipments going out of State as it is different from the requirements for casinos. **Response:** Staff disagrees with the comment and disagrees that a clarification is necessary. However, Staff believes that 1800.1050(a)(8) should be removed.

1800.1070 – Comment: Clarify how much notice is required prior to disposal of a VGT and also wants this section clarified so that it only applies to disposal of VGTs in Illinois. If a VGT is disposed of outside of the State, ensure that a notice of shipping out of the State is all that is required. **Response:** Staff believes that section 1800.1070(a)(5) should be removed. Staff disagrees that any further clarification is necessary. Staff believes the Rule is clear that it only applies to disposal of VGTs in Illinois and that disposal of VGTs in Illinois requires the presence

of a Gaming Board agent. Staff has further clarified section 1800.1070 such that “notice” will be on forms provided by the Board.

1800.1070 – Comment: Disposal of a VGT in presence of a Board agent is “impractical”. Documentation of destruction should be sent to the Board and kept for a period of time by the licensee. **Response:** Staff disagrees with the comment and does not believe a change is necessary. Disposal of VGTs in Illinois requires the presence of a Gaming Board agent.

1800.1070 – Comment: Clarify whether the IGB intends to assign a license number during inspection and wants to know how the license number will be applied (e.g. decal?) **Response:** Staff does not believe a change is necessary. How license numbers are assigned and applied will be handled by IGB practice, not by rule.

1800.1070 – Comment: Clarify that the Board will be providing forms for notice and wants clarification that “applications for approval” means that a licensee must submit a request containing the specific information. **Response:** Staff has clarified section 1800.1070 to specify that a form will be provided for disposal of VGTs.

1800.1110 – Comment: This rule should provide a mechanism for accounting and use of money that the IGB receives when local law endorsement agencies confiscate VGTs/VGT income. Need specifics on what the IGB will do with the VGTs/income. **Response:** To be determined.

1800.1110 – Comment: Clarify as to whether the local law enforcement agency must turn over both the VGT and VGT income. **Response:** Staff agrees with the comment and has clarified this section.

BOARD POLICY ITEMS –

- Video Gaming – Discussion of Proposed Rulemaking
 - Amended Rules Second Notice Filing & Adoption Upon Approval from JCAR
 - Rules: 1800.110, 1800.520, 1800.610, 1800.615 and 1800.650.

Member Moore moved that **the Board authorize staff to submit proposed Rules 1800.110, 1800.520, 1800.610, 1800.615 and 1800.650 for Second Notice Filing with the Joint Committee on Administrative Rules as revised.**

Further, Member Moore moved that **the Board authorize the final adoption and publishing of the above-referenced rules, provided no material changes are made to these rules during the Second Notice process.**

Member Sullivan seconded the motion. The Board approved the motion unanimously by roll call vote.

- Proposed Rules – Second Notice Filing & Adoption Upon Approval from JCAR
 - Rules: 1800.910, 1800.920, 1800.930, 1800.1010, 1800.1020, 1800.1030, 1800.1040, 1800.1050, 1800.1060, 1800.1070 and 1800.1110.

Member Gardner moved that **the Board authorize staff to submit proposed Rules 1800.910, 1800.920, 1800.930, 1800.1010, 1800.1020, 1800.1030, 1800.1040, 1800.1050, 1800.1060, 1800.1070 and 1800.1110 for Second Notice Filing with the Joint Committee on Administrative Rules as revised.**

Further, Member Gardner moved that **the Board authorize the final adoption and publishing of the above-referenced rules, provided no material changes are made to these rules during the Second Notice process.**

Member Moore seconded the motion. The Board approved the motion unanimously by roll call vote.

At 10:35 A.M. Member Winkler motioned to adjourn and Member Moore seconded the motion. All Members voted in favor of adjournment.

Respectfully submitted,

Mary C. Boruta
Secretary to the Administrator